

Special Processing Instructions Project Code 205 – Social Clubs Non-filers

This entity has been selected as part of a market segment study on 501(c)(7) social clubs. The purpose of the study is to build a comprehensive profile of the social club community. Information gathered in the study will enable us to:

1. Measure the level of compliance, so we can better allocate resources,
2. Identify compliance trends and emerging issues, so we can address non-compliance more quickly and effectively, and
3. Identify educational and outreach needs, so we can provide services to satisfy customers and increase compliance.

The profile will provide a description of social clubs from the perspective of compliance. The goal of the study is to answer a number of questions: What are the common characteristics of compliant social clubs? How big are they? What are their activities? What are the characteristics of a typical non-compliant social club? Is the non-compliance due to a lack of education in a particular issue? Is there a type of social club that is more non-compliant than other types?

Organizations selected for this study have been chosen at random from the entire population of social clubs, including:

1. Form 990 filers,
2. Those with Form 990 filing requirements who do not file, and
3. Those who are not required to file because gross receipts are below filing requirements.

This organization falls into the second category. EOMF records show that it has a Form 990 or 990EZ filing requirement, but no return has posted for the year in question. Your audit will have several components:

1. Audit books and records to determine that the club is operating in an exempt manner,
2. Determine whether the organization has a Form 990 series filing requirement for the year in question,
3. If it does have a filing requirement, secure the delinquent return, and
4. Complete all applicable checklist questions.

Even if you secure a delinquent return as a result of your initial contact, an audit of the books and records is still required. You may not close the case based only on an inspection of the secured return. **At a minimum, you must complete an audit of the books and records to the extent necessary to answer all applicable checklist questions.**

The results of the study will be true for all social clubs, so each organization represents a significant portion of the population. Your audit and the information you gather as part of the study are vitally important to the completion of a full and accurate study.

Attached is a checksheet designed to gather the information needed to build the profile. Please read the entire checksheet carefully and become familiar with the questions before making your initial contact. Many of the questions should be asked during your initial interview, to prevent delay when you are ready to close the case. **Complete the checksheet as soon as you have enough information to respond to all the questions.** We are interested in learning about compliance, not about audit results per se, so it is not necessary that you know the final disposition on AIMS in order to complete the checksheet.

Some of the questions will not be applicable to your audit. Leave those questions blank. For example, a follow-up question may only be applicable if you answered "yes" to the primary question. If you answered "no" to the primary question, you would leave the follow-up question blank.

All checksheets must be submitted by February 28, 2003. In most instances, the hardcopy checksheet or disk will be part of your closed case, and will be transmitted through your group manager to the AIMS Closing Unit. Special Handling Notice, Form 3198, must be attached to the front of the file, indicating that the case is part of a market segment study. The Closing Unit will pull off the checksheet or disk and forward it to the project coordinator in EO Exam Planning & Projects (EPP). A freeze code is attached to all cases included in this project. The cases will not close on AIMS unless a checksheet or disk is submitted with the case file at closure.

In rare instances, a case will not be ready to close before the February 28, 2003 deadline. In these cases, the checksheet should be completed and submitted separately through the group manager directly to the project coordinator. You do not have to close the case on AIMS to submit the checksheet. You should be able to determine through your initial interview and review of books and records whether the club is compliant. Once the checksheet or disk is received, the project coordinator will notify the Closing Unit that the case may be closed on AIMS when it is forwarded from the group.

Due to errors in the EO-BMF, it is possible that an entity selected for this project is not actually a social club. It is important that you make this determination when you initially contact the organization. Telephone contact should be established before appointment letters are issued. If you find that the entity is not a social club, the return may be closed "Survey After Assignment" with the issuance of Letter 1024 to the organization. Explain the reason for the survey on Form 1900, and forward it with the case file to the Closing Unit for non-examined closure. Complete the indicated portions of the checksheet and return the disk

with the case file to the project coordinator. If a significant issue has been identified during pre-audit analysis, the audit may continue at the discretion of the group manager. Complete the indicated portions of the checksheet and return the disk directly to the project coordinator.

If the organization no longer exists, or if you are unable to locate the organization, complete the indicated portion of the checksheet and return the disk to the project coordinator, then follow IRM procedures regarding termination, dissolution, etc. Complete Form 2363-A to make the necessary corrections to the EO-BMF. The return should be closed on AIMS using Disposal Code 32, Survey After Assignment.

Thank you again for your efforts in helping us complete the Social Club Market Segment Study. If you have any questions, please call Leslie Kulick at (410) 962-9565.